

AR49

Saskatchewan
Wheat Pool

Annual Report 1977



Saskatchewan Wheat Pool is a co-operative with operations in grain handling, livestock marketing, flour milling, printing and publishing, farm supplies, fertilizer manufacturing and oilseed crushing. It provides services and facilities for over 70,000 active farmer-owners and acts as spokesman for members respecting agricultural policy concerns.

Contents

1977 — An Eventful Year..... 2

Board of Directors..... 4

Public Policy 6

Delegates 1976-77..... 10

Commercial Operations 14

Associated Co-operatives..... 17

Financial Statements..... 18

Five Year Summary..... 24



1977...An Eventful Year

Every year brings numerous meaningful developments that affect farm people and Saskatchewan Wheat Pool. Here are a few from 1977.



Livestock

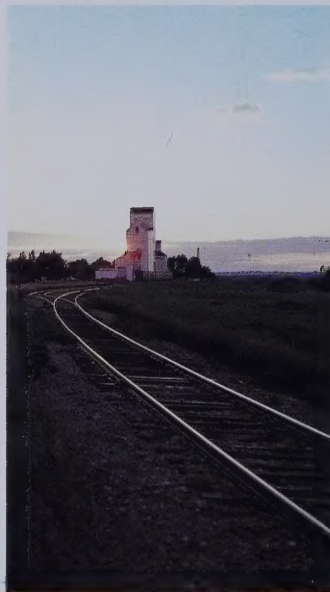
At the request of delegates, the Pool carried out a study of livestock policies affecting prairie producers. Results of the study were presented to organizations with an interest in livestock production and to concerned government departments. The ideas put forth in the report were considered by Pool members at various meetings throughout the province. From the discussions came opinions that assisted delegates as they worked out livestock policy guidelines at their 1977 annual meeting. It was hoped that continued efforts would result in developments to pull the livestock industry out of the three-year slump brought on by increased costs, depressed prices and uncertain policies and procedures that have been beyond farmer control.

Transportation

- The Hall Commission on Transportation and Handling reported in May, 1977, after conducting nearly 100 hearings throughout the prairies. Sask. Pool presented a thorough submission covering all aspects of the question. Two of the key points

reflecting member-owner opinion were that the Crowsnest freight rates should be maintained and that it is desirable to have a grain-gathering system of elevators within reasonable hauling distance for farm trucks. The Hall Commission endorsed that position.

- The federal government established a Prairie Rail Action Committee to recommend the future of rail lines whose status was



not determined by the Hall Commission. Lines involved covered 2,343 miles out of the existing prairie grain collection network of about 18,700 miles. The PRAC also will advise government on which lines require upgrading work and when.

- The federal government announced it would provide \$100 million for upgrading of various rail lines on the prairies. The money will be spent by March, 1979.

- During the year there was attention to the report of the Snavelly Commission which investigated railway costs of handling grain. Based on 1974 figures, the report said railway costs were 2.58 times the revenues received from users of the service. The report made it clear the investigation was to identify revenues and costs, not to recommend ways in which any shortfall to railways should be made up. In 1977, Snavelly issued more details of various costs.

- Throughout the year Sask. Pool continued to present farmers' opinions on the future shape of the handling and transportation system and on freight rate structure. To have a sound system is vital to the agricultural industry and to the economic future of Western Canada.

Prices

• Grain prices continued their downward skid with No. 1 wheat dropping under \$3.00 per bushel by mid-September due to the pressure of world stocks. A slight rally caused by a declining dollar value and a lower than expected crop out-turn in Russia may indicate that grain prices will recover slightly from the year's low.

• The 1977 production season began with the threat of drought, but this was dispelled by timely rains and sunshine that brought forth a heavy crop. A nine-week stretch of rainy weather delayed the harvest until late October in most areas, causing some sprouting in northern areas and a downturn in grade and quality in many regions. However, farmers were generally pleased with the year, the sixth-largest grain production season in the province's history.

• Cattle prices remained depressed and for the third successive year, producers received inadequate returns. There was some evidence by early fall that prices may strengthen somewhat from previous low levels.

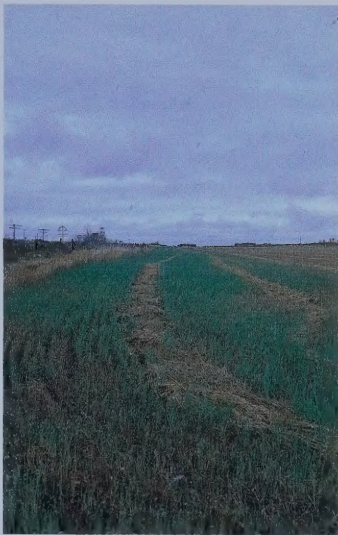
• Rising costs of items essential to farm operations were characteristic of the year, putting added pressure on the financial position of Saskatchewan farmers.



4-H

Saskatchewan Wheat Pool continued its support of rural youth through the 4-H movement which celebrated its 60th anniversary in 1977. The Livestock Division has been especially active in its work with 4-H beef sales, while the Extension Division provides assistance in development and programming for the 9,581 4-H members in the province.

The Pool is represented on the board of the Saskatchewan 4-H Foundation, and is also represented on the Canadian Council on 4-H Clubs.



Pools

• National and international efforts toward attainment of an effective International Grains Agreement were intensified during 1977 and prairie Pools were active in putting forward farm opinion. The aim is to get a strong agreement that will assure grain producers of adequate returns and a greater measure of marketing stability.

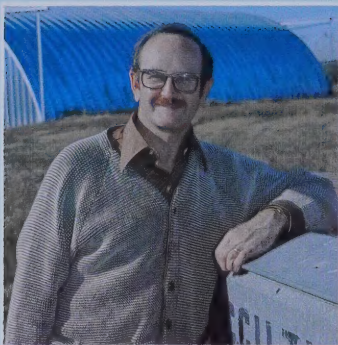
• Boards of the prairie Pools, which meet semi-annually, gave close attention during a July session to improving methods and procedures for developing and promoting agricultural policies. The role and responsibilities of members were considered, as well as the need for an informed public.

• The Pools noted the value to farmers of the centralized grain marketing system in Canada, as managed by the Canadian Wheat Board, during the last few years of highly fluctuating world grain supplies and prices.

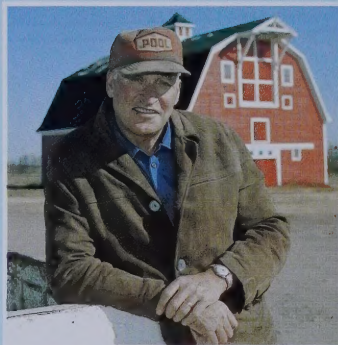


Services

Pool capital expenditures during the year ended July 31, 1977 were about \$28 million as efforts continue to provide maximum efficiency and quality service to members. All operating divisions felt the effects of the program to improve facilities and service. Future activity to serve member needs will be guided by economic conditions.



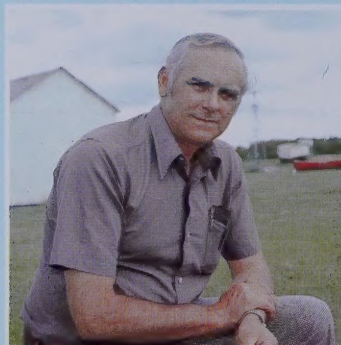
*E. K. Turner
President, District 16*



*D. M. Lockwood
1st Vice-President, District 10*



*J. W. Marshall
2nd Vice-President, District 15*



*A. K. Sahl, Mossbank
District 5*



*G. Stevenson, Whitewood
District 7*

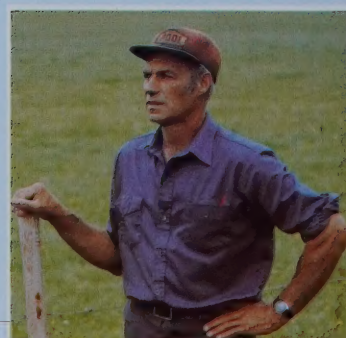
Board of Directors 1976-77



*W. Schutz, Saltcoats
District 8*



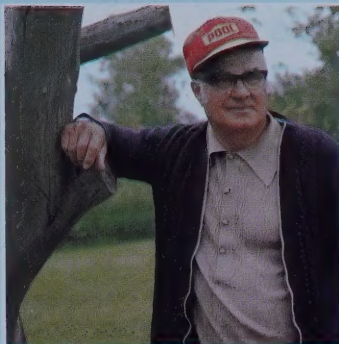
*W. A. Kumph, Smiley
District 11*



*A. B. Wood, Ruthilda
District 12*



*R. W. Luterbach, Lampman
District 1*



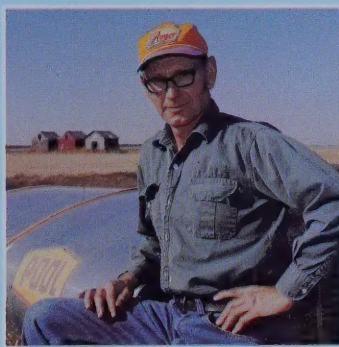
*J. Lindsay, Limerick
District 2*



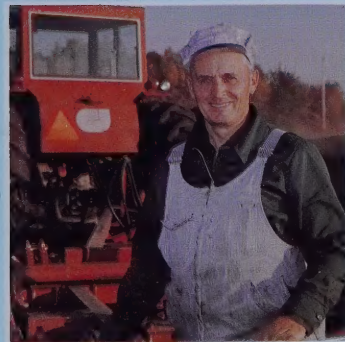
*G. C. Anderson, Val Marie
District 3*



*C. E. Murch, Lancer
District 4*



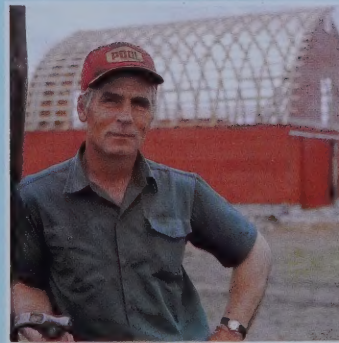
*R. T. Gray, Indian Head
District 6*



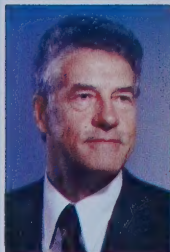
*H. F. McLeod, Leross
District 9*



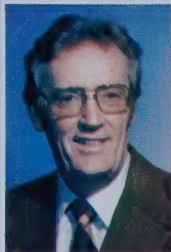
*W. B. Mundell, Leroy
District 13*



*H. G. Yelland, Porcupine Plain
District 14*



I. K. Mumford



J. O. Wright



C. R. Kasha

Mr. Mumford, general manager, and Mr. Wright, corporate secretary, are Sask. Pool's chief executive officers reporting to the Board of Directors. Mr. Kasha, treasurer, is responsible to the Board of Directors for financial policy and to general management for general treasury operations. Mr. Mumford's chief responsibility is the efficient management of business operations. Mr. Wright's chief responsibility is for the organization of duties related to the Pool's democratic structure and farm policy role, as well as corporate records.

Public Policy of Saskatchewan Wheat Pool for 1978

Delegates of Saskatchewan Wheat Pool set the direction for their organization during their annual meeting November 15-25, 1977. Their action was preceded by extensive discussions with members throughout the province. Policy was made final by the Board of Directors in December.

Saskatchewan Pool's policies were drafted after consideration of a changed world and Saskatchewan agricultural situation. A few years ago, world food supplies were the lowest in two decades and many international agencies warned that there was a danger of wide-scale famine. Then, in 1976, due largely to a fortunate combination of weather conditions, the world produced over 410 million tonnes of wheat. Canada's share was about 23 million tonnes, or about five per cent of the world total.

Total consumption of wheat in the world during the 1976-77 crop year was about 360 million tonnes, leaving a surplus of about 50 million tonnes. The

existence of this surplus caused a fall in the world prices for wheat of nearly 32 per cent. In Canada the Wheat Board's asking price for One C.W. wheat — 13.5 per cent protein — at Thunder Bay dropped from \$4.42 a bushel in June 1976 to less than \$3.00 in mid-September 1977 (prices recovered later in the year).

Quick and aggressive action by the Canadian Wheat Board in the summer of 1976 enabled it to make sufficient sales to maintain the volume of exports and as a result, deliveries of wheat from Western farms during the crop year exceeded the previous year's. However, sharply reduced selling prices caused a drastic reduction in cash receipts to grain producers.

Pool policy for 1978 is wide-ranging. A summary of the Pool position on six major issues follows. For a copy of the official policy document, write to Information Division, Saskatchewan Wheat Pool, 2625 Victoria Ave., Regina, S4P 2Y6.



Livestock Production & Marketing

POLICY • The federal government should establish a Canadian Livestock and Meat Commission to co-ordinate all the regulatory and administrative functions related to the marketing of livestock and meat. The structure and powers should be similar to the Canadian Grain Commission's responsibilities for grain. There would be no direct responsibilities for marketing or pricing. Areas of operation, for example, should include an improved information system through a registry of all cattle producers and advice to government on policy matters related to stabilization programs, import quotas and tariffs.

- The federal government should immediately establish a permanent import policy for dressed beef and veal that includes annually determined quotas based on estimated Canadian production and consumption. If necessary, higher tariffs should be used to prevent distressed selling of meat into the domestic market at prices significantly below Canadian cost of production. It is intended that the policy exempt live cattle and thereby

protect traditional trade relationships with the U.S.

- Tariff equalization with the United States on dressed beef and live cattle is desirable.
- The federal government should monitor the operations of retail food chains and processing establishments to ensure they operate in the best interests of producers and consumers. If necessary, competition laws should be enforced.
- Freight rates on livestock and meat need to be under statutory legislation and regulation.
- To facilitate further modifications and improvements to the present cattle marketing system in the province, Saskatchewan Wheat Pool recommends that the Saskatchewan Government establish a Cattle Marketing Advisory Committee with adequate representation from interested producer organizations. Its function would be to conduct a thorough examination of all aspects of cattle and beef marketing in Saskatchewan and to bring forward recommendations to the Minister of Agriculture.

Livestock production in Western Canada is subject to production and price cycles which both result from, and contribute to, instability for producers, processors and others who provide services to the industry. The Canadian cattle industry and pricing system are closely tied to international market factors particularly in the United States, Australia, and New Zealand.

After three years of serious financial losses due to prices well below cost of production, producers are looking for improvements to present marketing policies for beef to improve their income.

During the past year Saskatchewan Pool expressed support for further improvements in beef stabilization programs, the need to restrict cheap off-shore imports of dressed beef and veal and the extension of direct financial assistance to cow-calf producers by the province.



Transportation

- POLICY**
- Maintenance of the statutory Crowsnest freight rates for grain.
 - A national transportation policy that prevents freight rates that discriminate against livestock and prairie processed agricultural commodities.
 - A permanent rail network, upgraded and maintained to serve agricultural producers' needs. (The Pool's ideas on a suitable network have been submitted to the Prairie Rail Action Committee, the group that will make recommendations to the federal government.)
 - More hopper cars to replace obsolete boxcars. (The Pool has commended the federal government for providing 8,000 hoppers up to now.)

Transportation has been vital to Western Canadians since the time of Confederation. The Pool recognizes that changing production patterns, improved road network and improved trucking equipment, as well as increased costs of operating both elevator facilities and railroads have brought about necessary changes in both grain handling and transportation. Sask. Pool takes the position that it is more beneficial to producers generally to have a rail network which is in good condition than to retain all the rail lines which now exist in the province. Therefore, the Pool is prepared to accept abandonment of some lines in return for the assurance that essential lines will be upgraded to the levels required to provide needed service.

Saskatchewan Pool feels strongly that the taxpayers of Canada should make some contribution to the cost of maintaining a transportation system to move agricultural products from Western Canada to export and domestic markets. Grain exports are exceeded only by wood products and automobile components in the dollar value of foreign exchange earnings. Grain provides both direct and indirect employment for many thousands of Canadians in many areas of the country.

The federal government has allocated \$100 million to start the process of upgrading prairie lines, as well as construction of new linkage and interconnections. Further funds will be needed over a number of years.

Grain Production & Marketing

- POLICY**
- Saskatchewan Wheat Pool believes producing and importing countries should negotiate an international wheat agreement which would moderate the worst effects of sudden and drastic changes in international prices for wheat and contribute to the greater security of world food supplies.
 - All grains should be placed under the control of the Canadian Wheat Board.
 - An immediate increase in the floor price for wheat used in the bread-making industry in Canada is desirable.
 - There should be further study on the feasibility of protein segregation at time of delivery. (Sask Pool agrees with the concept of protein grading of wheat at the primary elevator level if a proper cost/benefit analysis indicates that there would be distinct economic gains to producers and to the industry.)

World supplies of wheat and feed grains can swing from shortage to surplus to shortage within a very brief time. Under such conditions, marketing decisions are crucial and accurate interpretation of the market trends becomes extremely important. The value of the Canadian Wheat Board to producers has been well illustrated by the Board's performance during the last crop year. However, the Board's job would be easier and producers better served if there were an effective international agreement, which brought about greater international co-operation on all aspects of wheat trade.

Inflation

- POLICY** • In the absence of a formal anti-inflation board, a national program is needed to prevent a return to escalating wages and prices which could be disastrous to the Canadian economy.
- Additionally, Saskatchewan Wheat Pool urges the federal government to launch a massive public education program directed toward improving individual and group awareness of the seriousness of growing inflationary pressures and their effect on the economy, and to stress the need for responsible action to curb inflation and improve productivity.

Farmers are particularly sensitive to the effect of inflation. They purchase goods and services whose prices have risen steadily within the Canadian economy, yet the prices for many of their products reflect conditions in world markets. Farm input costs have continued to rise and grain prices have fallen drastically in the last year because of world oversupply.

The Pool has felt that, in the absence of controls, powerful business and labor groups were able to extract more from the economy than the country could afford in relation to its productivity. This was reflected in higher costs and prices, and a reduction in the competitive position of Canada's export industries.

Energy for Agriculture

- POLICY** • Saskatchewan Wheat Pool favors a comprehensive energy program that:
- (a) recognizes the priority of agriculture as a key energy user.
 - (b) intensifies research toward finding and developing alternative, reliable and environmentally safe sources of energy.
 - (c) strengthens legislation to compel automotive and tractor manufacturers to improve the fuel efficiency of all multi-cylinder engines.
 - (d) exempts farm fuels from further price increases which will result from higher international and domestic oil prices established by governments.



Farmers are highly dependent on petroleum-based fuels and their increased costs have become burdensome in recent years. Therefore, Saskatchewan Wheat Pool feels that greater efforts should be devoted to attempting to determine the actual level of Canadian reserves of oil and gas. Priorities need to be established for use of known oil and gas reserves. Industries like agriculture which have no practical alternatives might be given priority in use of oil and gas, while those having an available alternative such as electricity or nuclear power might be discouraged from using petroleum products.

Land Use & Tenure

- POLICY** • In the further development of a land use policy for Saskatchewan, consideration needs to be given to the question of non-resident ownership — in the interest of preserving farm land for bonafide farmers.

Saskatchewan has about 40 percent of the agricultural land in Canada, and a relatively small population, so that urban development has not caused problems as serious as in some other parts of Canada. There is, however, growing competition for certain types of land for recreation and various other uses. It is desirable to develop suitable land use policies before the problem becomes serious in Saskatchewan. Sask Pool will participate in conferences and discussions to protect the interests of producers.

The provincial government has announced its intention to amend the Farm Ownership Act in the spring of 1978 to be retroactive to September 15, 1977. The proposed amendments will restrict non-resident ownership of Saskatchewan farm land to a maximum of 160 acres and will require all purchasers to sign an affidavit stating they are the beneficial owners and the land will not be held in trust for other persons.

Delegates 1976-77



DISTRICT 1

(Left to right) **Front row:** E. O. Johnsrude, Weyburn; W. R. Hjertaas, Wauchope; R. W. Luterbach, Lampman; D. F. Wilmot, Carnduff; H. E. Voechting, Weyburn. **Back row:** J. Kish, Estevan; D. W. Bryson, Estevan; L. Clark, Willmar.



DISTRICT 2

(Left to right) **Front row:** G. Muldoon, Crane Valley; J. Lindsay, Limerick; O. E. Dahl, Viceroy; H. M. Sproule, LaFleche. **Back row:** A. Barbarin, Radville; B. L. Nast, Trossachs; J. C. Prefontaine, Lisieux. K. Elder, Coronach, is missing.



DISTRICT 3

(Left to right) **Front row:** R. A. Thomson, McCord; H. E. McDonough, Cadillac; G. C. Anderson, Val Marie; V. D. Ross, Hazenmore; S. L. Onerheim, Frontier. **Back row:** G. A. Sanderson, Consul; G. E. Murphy, Neville; H. V. Anderson, Shaunavon.



DISTRICT 4

(Left to right) **Front row:** H. Yackel, Leader; G. S. Lightfoot, Swift Current; C. E. Murch, Lancer; J. A. Anderson, Cabri; R. W. Benjamin, Swift Current. **Back row:** J. Macaulay, Leinav; K. Sawby, Maple Creek; A. Myrol, Fox Valley.



DISTRICT 5

(Left to right) **Front row:** N. R. Lowe, Moose Jaw; D. E. Hicks, Marquis; A. K. Sahl, Mossbank; L. E. Buhr, Herbert; D. W. Hook, Bateman. **Back row:** J. Mann, Hodgeville; F. G. Mercer, Caronport; J. M. Cooper, Tugaskie.



DISTRICT 6

(Left to right) **Front row:** R. D. McKell, Regina; S. G. Peiruc, Avonlea; R. T. Gray, Indian Head; J. W. Russell, Craven; N. W. Haack, Milestone. **Back row:** H. W. Nicholson, Abernethy; H. C. Wilke, Yellow Grass; W. H. Brunskill, Pense; A. Kambetz, Sedley.



DISTRICT 7

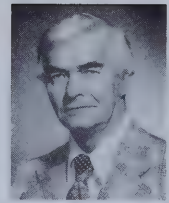
(Left to right) **Front row:** D. B. Sefton, Broadview; E. Knuttila, Rocanville; G. Stevenson, Whitewood; L. M. Merkel, Broadview; W. J. E. Glydon, Kipling. **Back row:** A. Adamson, Fairlight; S. J. Pask, Esterhazy; K. Wiggins, Fillmore.



DISTRICT 8

(Left to right) **Front row:** T. W. Wood, Yorkton; N. Wetterlund, Sturgis; W. Schutz, Saltcoats; M. Kostichuk, Insinger; A. Hladyboroda, Mikado. **Back row:** S. Hrynkiw, Canora; J. Harasen, Yorkton; C. D. Lukey, Norquay; E. Mitrenga, Melville.

In 1978 there was one change in the Board of Directors: H. M. Sproule was elected to succeed Mr. Lindsay as Director, District 2.



DISTRICT 9

(Left to right) Front row: W. A. Day, Bulyea, F. H. Bjornson, Elfros; H. F. McLeod, Leross; M. H. Ewert, Drake; J. E. Keisig, Ituna. Back row: M. D. Horvath, Wishart; G. A. Buitenhuis, Raymore; R. D. Young, Cymric; E. Kramer, Southey.



DISTRICT 10

(Left to right) Front row: K. W. Elder, Simpson; P. D. Wensley, Wiseton; D. M. Lockwood, Regina; G. N. Robbins, Laura; D. E. Rue, Watrous. Back row: M. R. Wudel, Outlook; N. E. Tuplin, Beechy; P. M. Paulsen, Hanley.



DISTRICT 11

(Left to right) Front row: T. E. Moe, White Bear; W. A. Marjerrison, Elrose; W. A. Kumph, Smiley; R. A. Greer, Sovereign; G. A. Siemens, Fiske. Back row: W. G. Nargang, Kindersley; R. L. Howe, Eston; R. J. Thomson, Alsask; G. H. Mack, Dodsland.



DISTRICT 12

(Left to right) Front row: H. H. Horner, Cando; C. J. Scherman, Battleford; A. B. Wood, Ruthilda; E. M. Ternan, Luseland; A. Keay, Unity. Back row: C. Sawtell, Neilburg; R. A. Gartner, Macklin; L. C. Bingham, Cut Knife.



DISTRICT 13

(Left to right) Front row: A. Thoen, Viscount; J. B. Buchinski, Cudworth; W. B. Mundell, Leroy; G. E. Harvey, Saskatoon; E. Wiebe, Langham. Back row: C. E. Weir, Perdue; R. J. Gerwing, Lake Lenore; J. L. Hinz, Muenster. J. Kurysh, Vonda, is missing.



DISTRICT 14

(Left to right) Front row: M. R. Turnquist, Prairie River; A. T. Groat, Melfort; H. G. Yelland, Porcupine Plain; L. T. McConaghy, Beatty; L. H. Hleck, Codette. Back row: G. Bone, Tisdale; D. N. MacDonald, Wadena; D. W. Angell, Rose Valley; L. D. Loyns, LacVert.



DISTRICT 15

(Left to right) Front row: S. C. Belt, Spruce Home; J. A. Weathered, Marcelin; J. W. Marshall, Regina; N. C. Hazelwood, Prince Albert; J. L. Yeaman, Birch Hills. Back row: H. R. Bastness, Hagen; L. J. Larsen, Canwood; F. J. Meyers, Meath Park; N. L. McTaggart, Choiceland; W. H. Funk, Laird.



DISTRICT 16

(Left to right) Front row: H. W. Moffatt, Denholm; C. J. Story, Leoville; E. K. Turner, Regina; G. A. Ross, Paynton; J. P. Simmonds, Speers. Back row: C. P. Olson, Meadow Lake; A. Harbin, Lashburn; G. R. Warrington, Mervin; P. Loewen, Glenbush; C. L. Hanson, Edam.





Commercial Operations

Earnings of \$21.4 million for 1976-77 reflect a sharp reduction from the outstanding financial performance of the past few years. The reduced earnings achieved resulted from higher costs for the organization and reflect the effect that inflationary pressures are continuing to have on our operations. The cost increases were not passed on entirely to Pool customers through increased tariffs and margins because it was recognized that net farm income was also in a downward cycle.



Country Elevator Division

Handlings for the Division during the season totalled 302.8 million bushels compared with 303.2 million a year earlier, representing 64.49 per cent of the market. Earnings from country elevator operations amounted to \$3.8 million compared with \$9.5 million a year earlier. Increases in staff costs, depreciation and interest account for the earnings decline experienced during the year.

The 1976 harvest produced an excellent yielding, high grade crop in dry condition, but the protein content was low in many areas of the province. Producers were able to take advantage of the high quotas for wheat and barley in the early part of the season. The heavy deliveries early in the year coupled with heavy carryover of durum and rapeseed from the previous year, plus the Canadian Wheat Board requirement for high protein wheat, served to congest our facilities and thus delayed the time when some members would have preferred to deliver their grain.

During the season the Pool continued its program of upgrading facilities leading to a network of high throughput elevators. During the season new construction or major renovations occurred at more than 30 stations, and 12 locations were supplied with new dwellings for elevator staff. The program of improving working conditions through the installation of dust elimination equipment was continued during the year with another 70 plants, in addition to those included in the new construction and renovation program, being equipped with dust collectors.

The Country Elevator Development Plan continues to receive priority with emphasis being placed on rail lines included in the protected network.

The capital program for country elevator operations for 1977-78 year is proposed at just under \$14 million and continues to emphasize the



upgrading of facilities to provide better and faster service for our members and improvement in the working conditions for employees. The program proposes new construction or major improvements at 37 locations. In addition, plans are to provide new housing facilities at 12 stations. Based on a projected handling of 310 million bushels for the new year, a minimal elevation tariff increase of 1¢ per bushel has been implemented.

Terminal Elevator Division

Handlings totalled 343.5 million bushels during the year compared to 331.7 million bushels in 1975-76. This is a new record for the Division. Vancouver receipts totalled 81.3 million bushels, approximately 10 million higher than the previous record at that terminal. Earnings for the Division were excellent, amounting to just under \$15 million, just slightly below the results achieved during 1975-76. Tariff increases of approximately 10 per cent were insufficient to meet higher operating costs. However, the increased volume through terminal facilities permitted earnings to remain at an excellent level.

The capital program for the Division totalled \$18.7 million and included provision of funds for the construction of a new 3 million bushel annex at the company's Vancouver terminal. The expanded facility at Vancouver is part of a continued program to improve service for Saskatchewan producers and

will assist in meeting the needs of expanding shipments to Pacific Rim countries. A significant portion of the remainder of the capital budget was committed to improvements related to environmental, health and safety requirements to improve conditions in communities where we operate and provide safer and more attractive working conditions for our employees.

The capital program for 1977-78 is set at \$4.9 million which includes an additional \$1 million for the completion of the new Vancouver terminal annex. In addition, a further \$1.8 million has been provided to continue the program of improvements related to the environment and working conditions. Projected handlings for the coming year amount to 310 million bushels.

Farm Service Division

Sales increased from \$56.6 million in 1976 to \$61.6 million in the past season. Earnings amounted to \$122,000 during the year, compared to the \$2.7 million achieved in the previous season. Although sales were approximately \$5 million higher, a new record for the Division, reduced gross margins and increased staff costs and depreciation expenses combined to produce a lower earning for the Division.

An exciting new feature in the Pool's long term program of assisting its members in improving their farming operations was the establishment of a Product Development Farm. The farm was established in the Watrous area and began operations during the year. Extensive plot work was undertaken and a number of chemical and fertilizer tests made. The Product Development Farm will continue to develop its operating program in 1978 although the full scope of its potential product testing activity will not be reached for several years.

The Division continues to provide leadership in the area of improved service for members. A major part of the capital program was devoted to the installation of aqua ammonia facilities for the application of liquid nitrogen fertilizers. This program has shown a high degree of acceptance among producers in its first year of operation. In addition to the aqua facilities, a new service centre was constructed at Moose Jaw and five other centres were expanded as part of the \$2.2 million capital program.

The capital program for the coming year, totalling \$2.2 million, emphasizes continued development of the aqua ammonia program and provision of further facilities for the distribution of dry bulk fertilizer. Prospects for the 1977-78 year reflect the downturn in farm income with projected sales of a level \$2.8 million below that achieved in the past season.

Livestock Division



A record handling of 736,000 head of cattle and calves was achieved during the year compared to 723,000 for the previous season. The handling of sheep and hogs totalled 132,000, up marginally from a year earlier. In light of the low returns continuing to be experienced by livestock producers, Saskatchewan Wheat Pool did not increase tariff levels during the year. As a result, with increasing costs and a minimal handling increase, the Division experienced a loss on operations of \$101,000 compared to an earning of \$516,000 in 1975-76.

The capital budget which totalled \$1.25 million, continued the Pool's program of providing livestock marketing facilities to producers in all parts of Saskatchewan. The extension of the Yorkton yard facility was the major addition to the modern system of livestock markets operated by the Pool throughout the province.

The capital program for the Division in 1977-78 amounts to \$229,000 primarily for replacement and upkeep of facilities and equipment. Handlings are projected to decrease slightly during 1977-78 with the result that the Division is expected to experience a loss on its operations.

Flour Mill Division

For the second year in a row the Flour Mill has achieved a new record with earnings totalling \$1.5 million compared to \$985,000 a year earlier. The mill again operated on a 24 hour, 7 day a week basis, with shutdowns restricted to times for repairs and fumigation and some statutory holidays. The impact of the major strike in Quebec which closed 30 per cent of the Canadian milling capacity maintained continued production pressure on our mill during the year. Excellent sales of export flour, mostly for government aid programs, was also a key factor in the record marketing performance, although domestic business continues as our major focus of attention.

The management arrangement with CSP Foods for the flour mill operation has again proved satisfactory in this its second year of operation.

The capital program for 1977-78 will total approximately \$204,000 and is similar to expenditures in the past year. With continued production pressures, a study will be undertaken to determine the need for upgrading milling capabilities and warehousing facilities.

Printing & Publishing Division

For the third year in a row, Divisional operations have resulted in a net earning. Earnings for 1976-77 totalled \$86,000 compared to \$28,000 a year earlier. The year has been one of significant change for the Division as progress is well under way to relocate the operation in a new building on Millar Avenue in Saskatoon. Plans to renovate existing facilities were modified about mid-year when the new structure became available for purchase. The new building will provide an efficient layout to carry on the printing operations and along with the introduction of new technology will permit the Division to publish an attractive newspaper as well as to compete effectively for commercial printing markets.

Minimal capital programs will be necessary in the 1977-78 year because the plant relocation and upgrading will not be complete until mid-year.

Associated Co-operative Organizations

CSP Foods Ltd.

CSP Foods concluded its second full year of operation on March 31, 1977.

CSP crushed 5.2 million cwt. of oilseeds during 1976-77 compared to 4.9 million in the previous season, utilizing 57 per cent of the crushing capacity and 75 per cent of the refining capacity. The three crushing plants (at Saskatoon, Nipawin and Altona, Manitoba) processed predominantly rapeseed, but sunflowers and soybeans were crushed at Altona as well. During the year, 82,673 tons of crude oil were sold, virtually the same as a year earlier.

Thirty-eight per cent was sold to domestic refiners, 32 per cent was transferred to CSP's own refining operation, and 30 per cent was sold for export.

One new feature of CSP processing was the installation of pearling barley equipment purchased from Manitoba Pool and installed in the flour mill in Saskatoon. This is a small operation with limited market opportunity but constitutes an important product diversification for CSP Foods. In August 1977 CSP Foods completed negotiations for the purchase of the assets of Westminster Foods Ltd. and now markets margarine and shortenings throughout Western Canada.

Western Co-operative Fertilizers Limited

The drop in grain prices in 1976-77 resulted in lower marketings of fertilizer and W.C.F.L. production dropped to 418,551 tons compared to 519,600 tons produced a year earlier. Sales through co-operative outlets have achieved a significant part of the market in Western Canada. Results in the year ahead will again depend on agricultural price prospects and grain marketings.

The two nitrogen-phosphate plants, located at Calgary and Medicine Hat, produce a full range of fertilizer blends for the North American market. The new Canadian Fertilizers Ltd. "world scale" ammonia-urea complex at Medicine Hat, jointly owned by W.C.F.L. and C. F. Industries of Illinois, achieved full production during the year. Operations were favorable and sales were particularly good in U.S. markets. For the first time W.C.F.L. had sufficient supplies of nitrogen products for the Western Canadian market.

Pacific Elevators Ltd.

The handlings of Pacific Elevators for the past season totalled 76.6 million bushels, up from 65.1 million a year earlier. This handling represented 27.8 per cent of the port unloads at Vancouver compared with 26.7 per cent achieved in the previous year.

Modest capital programs at Pacific Elevators have been maintained to improve operations and to upgrade health, safety and environmental standards. The Pacific Elevators terminal serves as a major west coast grain outlet for the three Pools, and its operation will continue to be improved to meet the needs of the expanding Pacific Rim grain markets.

XCAN Grain Ltd.

XCAN achieved considerable progress during 1976-77 as the central selling agency for the three Pools. It was a difficult year for all export companies as large international supplies of the major grains resulted in severe price competition and declining markets. Despite these conditions, XCAN was able to further penetrate the Japanese market and became the major Canadian supplier of rapeseed. In addition, good sales were made to Europe and North Africa.

XCAN continued as a major marketer of malting barley, grain by-products and other non-Board grains. Through XCAN the Pools achieved a new level of merchandizing co-ordination during the year and are now meeting one of the main policy objectives of this important central organization.

Other Companies

Other companies in which Sask. Pool's involvement ensures benefits to member-owners are The Co-operators (formerly Co-op Insurance Services), Canadian Pool Agencies Ltd., and Pool Insurance Company.

In addition to joint commercial activities, Saskatchewan Wheat Pool joins with Manitoba and Alberta Pools in Canadian Co-operative Wheat Producers Limited to co-ordinate policy and action on key items of mutual concern.

Allocation of Net Earnings

The Board of Directors recommends that the net earnings for the year ended July 31, 1977, in the amount of \$21,364 be allocated as follows:

Grain

Patronage dividend at the rate of 6.3¢ per bushel pursuant to Article 79 of the Articles of Association of the company, estimated.....	(thousands of dollars)	\$19,233
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Farm Supplies:

No patronage declared.....	—
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Total patronage dividend, estimated	19,233
Provision for income tax, estimated	885
Transfer to unallocated earnings retained from prior years, estimated	1,246
Total	<u>\$21,364</u>

An estimated total of \$2,309,000 will be paid to the Receiver General for Canada as a prepayment of income tax on behalf of shareholders whose total dividends earned for the year exceed \$100 and the balance of the patronage dividend, estimated at \$16,924,000 will be applied in payment of shares allotted pursuant to Article 80 of the Articles of Association of the company.

The Board of Directors also recommends that:

1. The sum of approximately \$4,883,000 be used as required in 1977-78 for the purchase of the equities of the members in all eligible categories, namely estates, retirements, repayments in full to members who reached age 70 as at July 31, 1975, and repayment of 20% of share equity to members (upon application) who reached the age of 65 by July 31, 1977.
2. After allocation to shares of the 1976-77 patronage dividend, and payment of withholding tax, a sum of approximately \$2,492,000 be paid, representing a 2% purchase of share equity to members not attaining the age of 65 by July 31, 1977, and a 3.5% purchase of share equity to corporations.

Payments totalling \$9,684,000 will be made to members during the 1977-78 year.

Auditors' Report

The Shareholders
Saskatchewan Wheat Pool

We have examined the balance sheet of Saskatchewan Wheat Pool as at July 31, 1977 and the statements of operations, unallocated earnings retained and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included

such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at July 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

October 7, 1977

TOUCHE ROSS & CO.
Chartered Accountants

Balance Sheet

at July 31, 1977

	1977	1976
	(thousands of dollars)	
ASSETS		
Current assets		
Cash	\$ 3,869	\$ 8,929
Guaranteed term deposits.....	—	54,050
Accounts receivable.....	45,634	43,431
Inventories (Note 1a).....	179,437	248,304
Prepaid expenses	3,185	2,547
Prepayment of income taxes	3,276	2,581
	<u>235,401</u>	<u>359,842</u>
Investments and memberships (Note 1c).....	20,759	20,093
Fixed assets (Note 1d)	98,556	81,894
Goodwill (Note 1e)	1,538	1,868
	<u>\$356,254</u>	<u>\$463,697</u>
LIABILITIES		
Current liabilities		
Outstanding cash tickets and cheques.....	\$121,925	\$240,071
Bank loans (Note 2).....	1,500	1,500
Accounts payable	47,986	52,970
Long term debt due within one year.....	8,508	5,288
Unallocated earnings (Note 1f).....	21,364	31,163
	<u>201,283</u>	<u>330,992</u>
Long term debt (Note 3)	18,661	13,786
	<u>219,944</u>	<u>344,778</u>
MEMBERS' EQUITY		
Share capital (Note 4)		
Authorized 120,000,000 shares of \$1 each		
Issued to members.....	114,166	98,667
Unallocated earnings retained	22,144	20,252
	<u>136,310</u>	<u>118,919</u>
	<u>\$356,254</u>	<u>\$463,697</u>

On behalf of the Board
E. K. TURNER, Director
D. M. LOCKWOOD, Director

The notes to the financial statements are an integral part of the statements.

Statement of Operations

for the year ended July 31, 1977

	1977	1976
	(thousands of dollars)	
Revenue from sales and services	\$1,184,428	\$1,281,724
Cost of sales and services	1,117,290	1,211,477
	67,138	70,247
Selling and administrative expenses	46,741	40,003
Net earnings from operations	\$ 20,397	\$ 30,244
Summary of net earnings by division		
Country Elevator Division	\$ 3,787	\$ 9,496
Terminal Elevator Division	14,974	16,474
Farm Service Division	122	2,745
Flour Mill Division	1,529	985
Livestock Division	(101)	516
Printing and Publishing Division	86	28
	20,397	30,244
Share of earnings — Pacific Elevators Limited	967	484
Patronage dividend — CSP Foods Ltd.	—	435
Net earnings	\$ 21,364	\$ 31,163

Statement of Unallocated Earnings Retained

for the year ended July 31, 1977

	1977	1976
	(thousands of dollars)	
Unallocated earnings retained, beginning of year	\$ 20,252	\$ 19,274
Prior year's earnings	31,163	26,879
Provision for income taxes	(1,967)	(2,064)
Shares allocated to members	(24,745)	(21,490)
Withholding taxes on patronage allocation	(3,319)	(2,781)
Balance retained	1,132	544
Profit or loss on disposal of fixed assets and adjustment of prior year's patronage dividends — net	760	434
Unallocated earnings retained, end of year	\$ 22,144	\$ 20,252

Statement of Changes in Financial Position
for the year ended July 31, 1977

	1977	1976
	(thousands of dollars)	
Working capital was provided by:		
Prior year's earnings.....	\$31,163	\$26,879
Items charged against current operations not requiring the use of funds.....	9,921	9,025
Redemption of Western Co-operative Fertilizers Limited bonds.....	—	1,000
Increase in members' term loans.....	6,200	3,841
Other sources.....	777	453
	<u>48,061</u>	<u>41,198</u>
Working capital was used for:		
Fixed asset additions — net.....	26,253	20,854
Provision for income taxes on prior year's earnings.....	1,967	2,064
Current maturity of first mortgage debenture loan.....	1,325	1,825
Share redemptions (Note 4).....	9,263	9,178
Withholding taxes on patronage allocation.....	3,319	2,781
Purchase of investments.....	666	1,242
	<u>42,793</u>	<u>37,944</u>
Increase in working capital.....	5,268	3,254
Working capital, beginning of year.....	28,850	25,596
Working capital, end of year.....	<u>\$34,118</u>	<u>\$28,850</u>

Notes to Financial Statements

for the year ended July 31, 1977

1. Significant accounting policies

a) Inventories

	1977 (thousands of dollars)	1976
Grain purchased for sale to the Canadian Wheat Board valued on the basis of established selling prices after allowance for costs yet to be incurred.....	\$145,257	\$192,591
Grain valued on the basis of open sales contracts, futures contracts, or in the case of unhedged grain, at the lower of cost, futures prices and net realizable value, after allowance for costs yet to be incurred. Grain stocks are hedged where conditions permit, in order to protect against market fluctuations.....	10,462	30,933
Other inventory valued at the lower of cost (principally average cost) and net realizable value, or on the basis of open sales contracts.....	23,718	24,780
	\$179,437	\$248,304

b) Recognition of income

The basis of valuing grain stocks results in a net handling margin being included in earnings when grain is purchased by the company. This practice is followed in order to achieve the objective of matching earnings and resulting patronage dividends with purchases from members.

c) Investments and memberships

Investments and memberships are valued at cost. Included are investments in joint ventures with other co-operatives. The equity of the company in the net assets of these joint ventures is in excess of cost, which has not been reflected in the accounts. The company's interest in the earnings of these joint ventures is reflected in its accounts as patronage dividends are declared.

Investments and memberships are summarized as follows:

	1977 (thousands of dollars)	1976
Co-operative joint ventures	\$19,136	\$18,506
Other co-operative investments, principally shares....	1,576	1,540
Memberships.....	47	47
	\$20,759	\$20,093

d) Fixed assets

The major components of fixed assets are:

	1977 (thousands of dollars)	1976	Rate of Depreciation
Cost			
Sites.....	\$ 2,387	\$ 2,204	nil
Buildings.....	125,710	117,369	5 - 10%
Machinery and equipment....	65,797	59,336	20%
Vehicles	2,521	2,080	30%
Other.....	3,041	2,100	various
Work under construction..	18,851	11,536	nil
	218,307	194,625	
Less accumulated depreciation...	119,751	112,731	
Net book value.....	\$ 98,556	\$ 81,894	

Depreciation is provided on fixed assets on a diminishing balance basis at the rates indicated.

e) Goodwill

The company's policy is to amortize purchased goodwill on a straight line basis over ten years. The balance of \$1,538,000 will be amortized by 1985.

f) Unallocated earnings

Net earnings for the year before providing for income taxes are included as a current liability called unallocated earnings. These earnings are allocated by the Board of Directors after the annual meeting of delegates. Income taxes on current earnings retained cannot be determined until after the allocation to members has been made.

2. Bank loans

Accounts receivable, inventories, conditional sales contracts, and fire insurance policies on stocks of grain have been assigned to secure bank loans.

3. Long term debt

The long term debt of the company is as follows:

	1977 (thousands of dollars)	1976
7¼% First mortgage debenture loan	\$ 6,450	\$ 8,275
Members' term loans.....	20,719	10,799
	27,169	19,074
Portion due within one year.....	8,508	5,288
	\$18,661	\$13,786

The first mortgage debenture loan consists of borrowings from the Saskatchewan Co-operative Credit Society Limited of \$4,050,000 and Co-operative Fire and Casualty Company of \$2,400,000, bearing interest at 7¼% and repayable at \$1,325,000 on August 1st each year to 1979 and \$2,475,000 in 1980. The debenture is secured by an unregistered mortgage on the company's head office properties, and by hypothecation of Western Co-operative Fertilizers Limited bonds in the principal amount of \$5,000,000.

Members' term loans range from two year to ten year terms with interest rates from 8% to 10%. Each loan is repayable at maturity with interest payable semi-annually.

On August 3, 1977 the company issued \$15,000,000 of 9½% Sinking Fund Debentures Series A with a further \$15,000,000 to be issued on or about March 1, 1978. Interest will be due and payable February 1 and August 1 each year commencing in 1978.

In each of the years 1981 to 1996 sinking fund payments will be made to the Trustee sufficient to retire \$1,400,000 principal amount of the debentures with the issue maturing on August 1, 1997. The debentures are not redeemable prior to August 1, 1992, except for sinking fund purposes, from the proceeds of funds borrowed at a lower interest cost. The issue is secured by a floating charge on all the property and assets of the company.

4. Share capital

Details of changes in share capital during the year are as follows:

	1977	1976
	(thousands of dollars)	
Balance, beginning of year	\$ 98,667	\$ 86,336
Add: New shares allotted.....	17	19
Allocated from prior year's earnings.....	24,745	21,490
	24,762	21,509
Less share redemptions:		
Purchased from eligible categories.....	2,553	3,547
Authorized annual redemptions and adjustments.....	6,710	5,631
	9,263	9,178
Balance, end of year.....	\$114,166	\$ 98,667

The number of shares issued to members is as follows:

	1977	1976
Fully paid.....	114,127,216	98,628,170
Partially paid.....	77,748	79,032

5. Commitments, guaranties and contingent liabilities

The company has guaranteed borrowings of other companies to maximum amounts as follows:

	(thousands of dollars)
Western Co-operative Fertilizers Limited	\$ 2,000
CSP Foods Ltd.	3,100
Canadian Co-operative Implements Limited	3,500
XCAN Grain Ltd.	2,167
	\$10,767

The company has guaranteed performance of CSP Foods Ltd. and Pacific Elevators Limited under Process Elevator Bonds placed with the Canadian Grain Commission to maximum amounts of \$13,000,000 and \$1,067,000 respectively. Subsequent to the year end, the guarantee related to the CSP Foods Ltd. bond was reduced to a maximum of \$7,000,000.

Notes receivable from CSP Foods Ltd. totalling \$6,189,000 have been postponed in favour of other creditors of that company.

At July 31, 1977 planned future expenditures on authorized capital programs approximated \$33,527,000.

There is a liability of undetermined amount in connection with unexpired subscriptions to the Western Producer.

Future payments to the employees' retirement plans in respect of past services have been actuarially determined to be \$10,338,000 and are required to be made in varying amounts over the next 15 years. During the year payments totalling \$726,000 were made to the plans in respect of past services.

An actuarial valuation of the plans as at December 31, 1975 disclosed an experience deficiency which is being funded over a five year period. Payments of \$1,334,000 were made during the year in respect of this deficiency and future payments totalling \$2,001,000 are required to be made over the next three years.

6. Anti-inflation legislation

The company is subject to and is complying with the federal government's anti-inflation legislation. The legislation limits increases in prices, profits and compensation payments.

7. Additional information

Included in the statement of operations are the following revenues and expenses:

	1977	1976
	(thousands of dollars)	
Revenues		
Income from investments, principally interest.....	\$5,761	\$7,223
Expenses		
Depreciation	9,591	8,695
Amortization of goodwill	330	330
Interest on long term debt	1,853	1,539
Other interest	7,274	5,853

8. Comparative figures

Certain 1976 amounts have been restated to conform with the 1977 presentation.

Five Year Summary

in millions of dollars

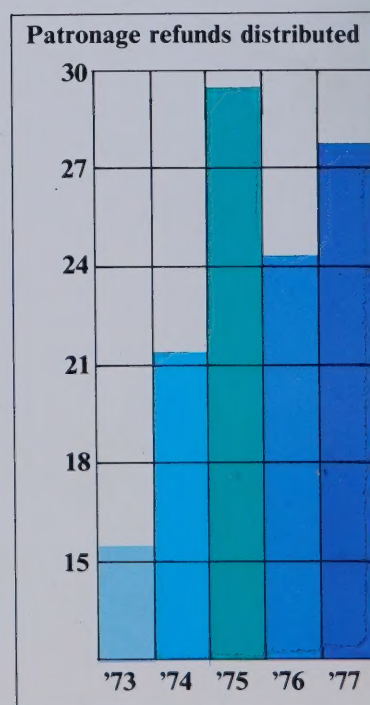
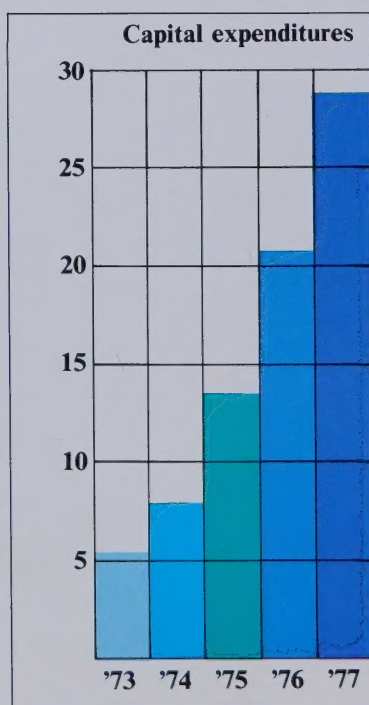
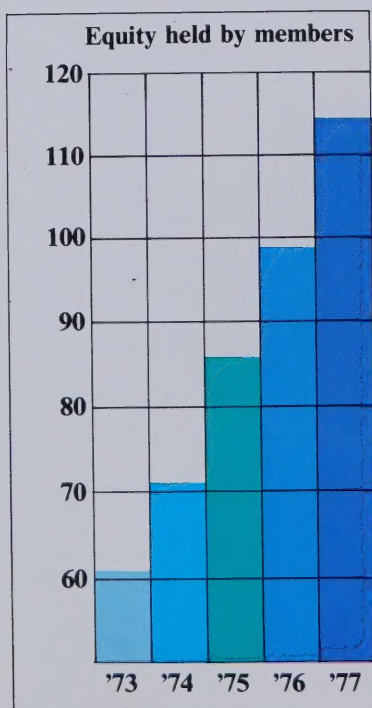
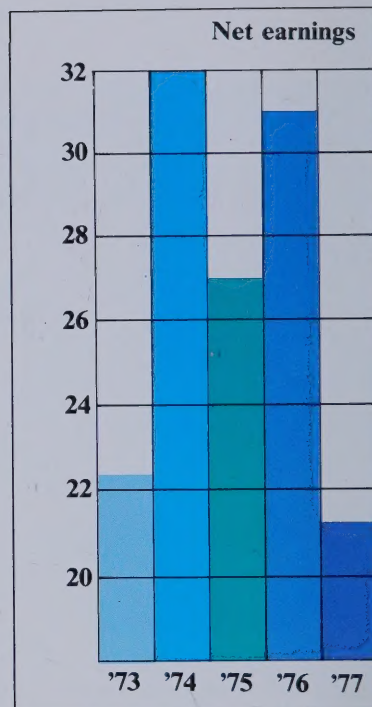
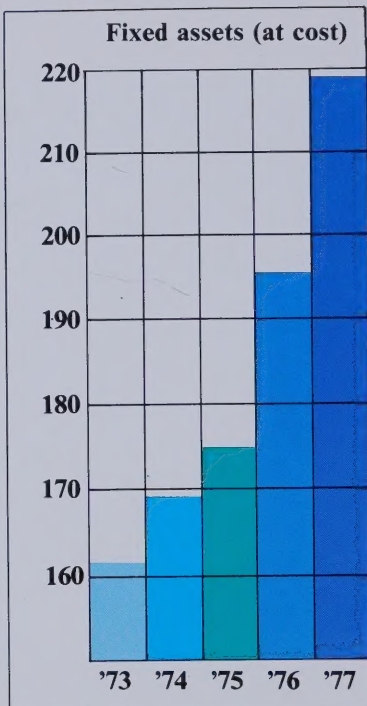
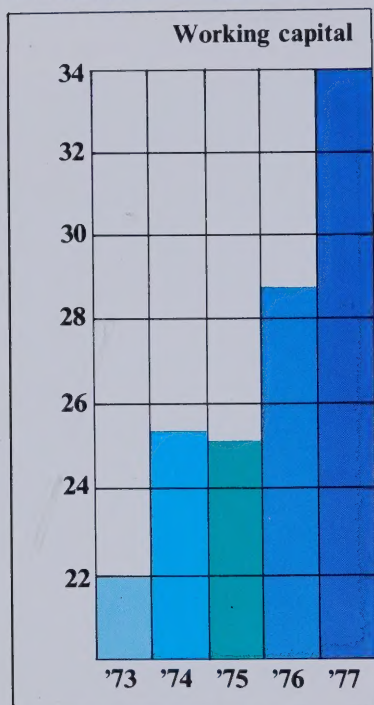


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